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PUBLIC UTILITIES
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August 3, 2007

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

RE: Docket No. 05-0315 -- Application of Hawaii Electric Light Company, Inc.
for Approval of Rate Increases and Revised Rate Schedule

This is in response to the Public Utilities Commission's ("Commission") letter, dated August 1, 2007, requesting the Division of Consumer Advocacy ("Consumer Advocate") to confirm its position on whether the Commission should adopt the standards articulated in Section 111(d)(14) of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended by the Energy Policy Act of 2005 ("EPACT") (hereinafter, collectively referred to as "Standards").

By this letter, the Consumer Advocate informs the Commission that it recommends that the Commission decline to adopt the Standards for the reasons set forth below.

EPACT 2005 allows states to consider whether certain standards set forth in PURPA and amended by EPACT should be adopted and implemented. Section 1252 of EPACT amended Section 111(d)(14) of PURPA¹ to add the following in pertinent part:

¹ See 16 U.S.C. § 2621(d).

(14) TIME-BASED METERING AND COMMUNICATIONS.

(A) Not later than 18 months after the date of enactment of this paragraph, each electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's costs of generating and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology.

(B) The types of time-based rate schedules that may be offered under the schedule referred to in subparagraph (A) include, among others - (i) time-of-use pricing whereby electricity prices are set for a specific time period on an advance or forward basis, typically not changing more often than twice a year, based on the utility's cost of generating and/or purchasing such electricity at the wholesale level for the benefit of the consumer. Prices paid for energy consumed during these periods shall be pre-established and known to consumers in advance of such consumption, allowing them to vary their demand and usage in response to such prices and manage their energy costs by shifting usage to a lower cost period or reducing their consumption overall; ...

In the instant Docket No. 05-0315, the Consumer Advocate reviewed HELCO's proposed TOU rates. The Consumer Advocate's witness, Michael L. Brosch, offered written testimony recommending the approval of optional Time of Use ("TOU") rates as proposed by HELCO. These rates were intended to provide customers the opportunity to lower their energy costs by shifting their usage from peak periods to off-peak periods.² The Consumer Advocate also testified that the proposed usage periods and rate discount/premium ranges were reasonable in relation to the marginal costs and existing HELCO load management Rider tariffs. The Consumer Advocate agreed that a limited scale implementation³ was reasonable and noted that these usage periods and rate discount/premium ranges will need to be examined and modified subsequent to the experienced gained with customer participation and utility impacts.⁴

² See Docket No. 05-0315, CA-T-5, Testimony of Michael L. Brosch, at 66-69.

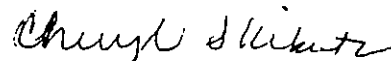
³ Id. at 68. TOU rates limited to 300 residential Schedule R meters, 100 Schedule G meter, 50 Schedule J Meters and 12 Schedule P meters.

⁴ Id. at 67.

On September 15, 2006, HELCO provided the Commission with its written recommendation that the Commission decline adoption of the standards articulated in Section 111(d) (14) of PURPA, as amended by EPACT ("Letter"). HELCO stated that its current tariff includes TOU offerings and credits for peak load reduction.⁵ HELCO's testimony represented that the TOU pricing options were intended to be "consistent with the goals of the Energy Policy Act of 2005."⁶ HELCO also notes that its affiliates, Hawaiian Electric Company, Inc. and Maui Electric Company, Ltd., have similar TOU rate schedules and are contemplating proposing new TOU rates in future rate proceedings.

Therefore, upon consideration of HELCO's efforts to establish a time-based rate schedule utilizing the time of use pricing method presented in the EPACT amendments to PURPA and the Consumer Advocate's recommendation that the Commission approve HELCO's propose TOU rates in the instant docket, the Consumer Advocate recommends that the Commission deem HELCO's proposed TOU tariffs for Docket No. 05-0315 as being consistent with the standards provided in Section 111(d)(14) of the Public Utility Regulatory Policies Act of 1978 PURPA, as amended by EPACT. The Consumer Advocate also recommends that, with the exception of future monitoring and evaluations, the Commission does not need to establish procedures to adopt these Standards in this docket or in a separate proceeding.

Sincerely yours,



Cheryl S. Kikuta
Utilities Administrator

CSK:tt

cc: Warren H.W. Lee
Dean Matsuura
Thomas W. Williams, Jr. Esq./Peter Y. Kikuta, Esq.
Keichi Ikeda
E. Kyle Datta

⁵ Letter, dated September 15, 2006. See also Docket No. 05-0315, HELCO T-20 at 39-49.

⁶ Docket No. 05-0315, HELCO T-20, Line 17-18 at 40.